Nova Scotia Utility and Review Board

Financial Statements

March 31, 2004

Grant Thornton

Contents

	Page
Auditors' Report	1
Statement of Operations	2
Statement of Accumulated Surplus	3
Balance Sheet	4
Statement of Capital Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chair and Members of
Nova Scotia Utility and Review Board

We have audited the balance sheet of the **Nova Scotia Utility and Review Board** at March 31, 2004, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 19, 2004

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Nova Scotia Utility and Review Board
Statement of Operations

Year Ended March 31	2004	2003
Revenue		
Grant from the Province of Nova Scotia (Note 2)	$ 2,737,000	$ 2,392,325
Recoveries (Notes 2 and 10)	1,070,490	1,368,427
Assessments to utilities (Note 2)	966,632	788,635
Interest	16,757	20,923
	4,790,879	4,570,310
Expenses		
Salaries, wages and benefits	2,820,054	2,584,358
Consulting and legal fees	1,011,507	971,610
Rent and business taxes (Note 11)	415,693	421,621
Travel	181,056	208,033
Depreciation	63,415	38,713
Transcribing and printing	50,791	96,497
Equipment (Note 3)	42,976	39,332
Advertising	40,994	64,567
Staff training and development	36,010	7,754
Office supplies and services	35,997	52,229
Sundry expenses	31,469	8,426
Dues and fees	29,587	44,908
Telecommunications	25,478	28,361
Maintenance	17,123	30,804
Books and reports	16,657	13,196
Postage and couriers	12,463	14,920
	4,831,270	4,625,329
Operating deficit for the year	$ (40,391)	$ (55,019)

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Accumulated Surplus
Year Ended March 31

	2004		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 13)			
Balance, beginning of year	**$ 439,793**	**$ 161,551**	**$ 601,344**
Transferred from general	**28,209**	**11,044**	**39,253**
Balance, end of year	**468,002**	**172,595**	**640,597**
General			
Balance, beginning of year	**65,201**	**88,110**	**153,311**
Operating deficit	**(29,026)**	**(11,365)**	**(40,391)**
Transferred to restricted	**(28,209)**	**(11,044)**	**(39,253)**
Balance, end of year	**7,966**	**65,701**	**73,667**
Total accumulated surplus	**$ 475,968**	**$ 238,296**	**$ 714,264**

	2003		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	$ 268,281	$ 105,012	$ 373,293
Transferred from general	171,512	56,539	228,051
Balance, end of year	439,793	161,551	601,344
General			
Balance, beginning of year	278,091	158,290	436,381
Operating deficit	(41,378)	(13,641)	(55,019)
Transferred to restricted	(171,512)	(56,539)	(228,051)
Balance, end of year	65,201	88,110	153,311
Total accumulated surplus	$ 504,994	$ 249,661	$ 754,655

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Balance Sheet

March 31	2004	2003
Assets		
Current		
Cash and cash equivalents (Notes 3, 6 and 14)	$ 269,563	$ 968,194
Accounts receivable (Note 4)	1,360,334	617,477
Inventory (Note 5)	11,117	2,215
Prepaid expenses	15,430	-
	1,656,444	1,587,886
Service award advances	4,666	6,804
Capital assets	107,597	81,344
	$ 1,768,707	$ 1,676,034
Liabilities		
Current		
Payables and accruals	$ 300,993	$ 225,662
Due to related parties	303,937	239,300
Advances for working capital (Note 9)	125,000	125,000
	729,930	589,962
Public service award liability (Note 8)	324,513	331,417
	1,054,443	921,379
Surplus (Note 2)		
Restricted (Note 13)	640,597	601,344
General	73,667	153,311
	714,264	754,655
	$ 1,768,707	$ 1,676,034

Commitments (Note 11)

On behalf of the Board

_____ Chair

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Capital Assets
Year Ended March 31, 2004

	Cost			Accumulated Depreciation			2004 Net Book	2003 Net Book
	Opening	Additions	Closing	Opening	Expense	Closing	Value	Value
Furniture	$ 158,970	$ 6,659	$ 165,629	$ 131,121	$ 6,185	$ 137,306	**$ 28,323**	$ 27,849
Computer equipment	205,133	47,685	252,818	166,369	36,026	202,395	**50,423**	38,764
Computer software	12,007	26,780	38,787	11,473	9,462	20,935	**17,852**	534
Equipment	66,212	8,544	74,756	52,015	11,742	63,757	**10,999**	14,197
Total	$ 442,322	$ 89,668	$ 531,990	$ 360,978	$ 63,415	$ 424,393	**$ 107,597**	$ 81,344

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Cash Flows

Year Ended March 31	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Operating deficit	$ (40,391)	$ (55,019)
Depreciation	63,415	38,713
	23,024	(16,306)
Change in non-cash operating working capital (Note 12)	(625,083)	(483,231)
	(602,059)	(499,537)
Financing		
Decrease in public service award liability	(6,904)	(7,043)
Investing		
Purchase of capital assets	(89,668)	(66,764)
Net decrease in cash and cash equivalents	(698,631)	(573,344)
Cash and cash equivalents		
Beginning of year	968,194	1,541,538
End of year	$ 269,563	$ 968,194

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2004

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15 of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Section 157 of the *Insurance Act* and Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act*, and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

Short term investments
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

3. Summary of significant accounting policies (continued)

Use of estimates
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition
Revenue is recognized on an accrual basis. Recoveries revenue is recognized as the related expenditures occur.

Fair value of financial instruments
The Board's estimate of the fair value of cash and cash equivalents, accounts receivable, payables and accruals and due to related parties approximate their carrying value due to their short-term nature.

4. Accounts receivable

	2004	2003
Due from related parties	$ 81,463	$ 65,848
Trade	1,278,871	551,629
	$ 1,360,334	$ 617,477

5. Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pledged assets

The Board has an operating line of credit of $150,000 of which none has been used at March 31, 2004. As security, the Board pledges short term investments.

7. Pensions

Public service superannuation fund
Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

8. Public service award liability

The Board follows provisions similar to those found in the *Civil Service Act* with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2004	2003
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as insurance, utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2005	$ 205,353
2006	209,569
2007	209,569
2008	209,569
2009	209,569
Subsequently	122,247
	$ 1,165,876

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

12. Supplemental cash flow information

	2004	2003
Change in non-cash operating working capital		
Accounts receivable	**$ (742,857)**	$ (242,464)
Inventory	**(8,902)**	1,064
Prepaid expenses	**(15,430)**	-
Service award advances	**2,138**	1,925
Payables, accruals and due to related parties	**139,968**	(243,756)
	$ (625,083)	$ (483,231)

13. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	**2004 Total**	2003 Total
Working capital	$ 251,458	$ 98,542	**$ 350,000**	$ 350,000
Tangible capital assets	74,732	32,865	**107,597**	81,344
Deferred capital expenditures	141,812	41,188	**183,000**	170,000
	$ 468,002	$ 172,595	**$ 640,597**	$ 601,344

14. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2004	2003
Cash on hand and balances with banks	$ 111,572	$ 165,280
Short-term investments	157,991	802,914
	$ 269,563	$ 968,194

15. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arm's length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the *Liquor Control Act, Gaming Control Act* and *Theatre and Amusements Act* are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2004	2003
Statement of Operations:		
Grant from the Province of Nova Scotia	$ 2,737,000	$ 2,392,325
Recoveries:		
Premises sublet to Province	24,570	24,570
Alcohol, gaming and amusements adjudicative costs	139,826	127,035
Office supplies expense	9,838	10,566
Balance Sheet:		
Accounts receivable (Note 4)	81,463	64,545
Payables and accruals	303,937	239,300
Advances for working capital (Note 9)	125,000	125,000
Surplus	475,968	504,994

16. Comparative figures

Certain of the prior year figures have been reclassified to conform with the financial statement presentation adopted in the current year.